



JAMES A. NOYES, Director

COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

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June 14, 2004

IN REPLY PLEASE

REFER TO FILE: PD-1

TO: Each Supervisor

FROM: James A. Noyes
Director of Public Works

ALAMEDA CORRIDOR EAST (ACE) PROJECT MAY 20, 2004, MEETING

On, May 20, 2004, the San Gabriel Valley Council of Governments-ACE Construction Authority held its regular meeting. A copy of the agenda and the adopted minutes of the April 26, 2004, meeting are attached. The following items occurred at the meeting, which are of interest to the County.

Under Agenda Item VI, the ACE Construction Authority Board approved its Fiscal Year 2004-05 budget (copy attached).

Under Agenda Item VII, the ACE Construction Authority Board authorized the Chief Executive Officer to amend or issue annual task orders for support services from July 1, 2004, through June 30, 2005, (with one exception as noted for Chris McGargill Consulting) for the following contracts:

- Womble, Carlyle—\$174,300 annual task order for Federal funding-related support in Washington, D.C.
- Capital Representation Group—\$65,000 contract amendment for State funding-related support in Sacramento.
- Padilla and Associates—\$328,240 annual task order for labor compliance and disadvantaged business outreach activities.
- Arimax Financial Services—\$12,000 contract amendment for implementation of financing for working capital.
- Burke, Williams, and Sorensen—\$340,000 contract extension for general counsel support.
- Big Independent Cities Excess Pool, Joint Powers Authority—\$80,000 for performance of risk management and claims administration.

Each Supervisor
June 14, 2004
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- Chris McGargill Consulting—\$96,000 for reviewing and validating invoices submitted by Union Pacific Railroad for the contract period starting in February 2004 and extending through June 2005.

The next meeting of the ACE Construction Authority Board will be on June 28, 2004, at Irwindale City Hall at 2 p.m.

GAJ:cr

C41658

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Attach.

cc: Chief Administrative Office
Executive Office



Alameda Corridor-East Construction Authority

4900 Rivergrade Rd. Ste A120 Irwindale, CA 91706 (626) 962-9292 fax (626) 962-3552 www.theaceproject.org

REGULAR MEETING AGENDA

Thursday, May 20, 2004, 2 P.M.

Irwindale City Hall - Council Chambers

5050 Irwindale Avenue

Irwindale, CA 91706

**NOTE: DATE
CHANGE**

Members of the public may comment on any item on the agenda at the time it is taken up by the Board. We ask that members of the public come forward to be recognized by the Chair and keep their remarks brief. If several persons wish to address the Board on a single item, the Chair may impose a three-minute time limit on individual remarks at the beginning of discussion.

All items set forth on this agenda may be subject to action.

- | | | |
|-------|---|-------------|
| I. | Roll Call and Introductions | |
| II. | Approval of Minutes - Regular Meeting of April 26, 2004 (Pages 1-4) | Action |
| III. | Public Comment | |
| IV. | Chairman's Remarks | Information |
| V. | Chief Executive Officer's Report (Pages 5-12) | Information |
| VI. | Approval of FY '05 Budget (Pages 13-39) | Action |
| VII. | Approval of Ongoing Authority Support Contract Amendments (Pages 40-42) | Action |
| | ▪ Womble, Carlyle, Sandridge & Rice | |
| | ▪ Capital Representation Group | |
| | ▪ Padilla & Associates | |
| | ▪ Arimax Financial Services | |
| | ▪ Burke, Williams & Sorensen | |
| | ▪ Big Independent Cities Excess Pool | |
| VIII. | Adjournment | Action |

The ACE Construction Authority is currently constituted of seven (7) member jurisdictions: the City of El Monte, the City of Industry, the City of Montebello, the City of San Gabriel, the City of Pomona, the County of Los Angeles, and the San Gabriel Valley Council of Governments. A San Bernardino County Council of Governments representative is an ex officio Board member.

Each member or alternate has one vote. A quorum of the ACE Construction Authority is no less than four (4) of its total voting membership. Actions taken by the ACE Construction Authority shall be by simple majority of the members present with a quorum in attendance except for personnel actions, the annual budget, matters dealing with the Administrative Code or matters requiring subsequent approval by the SGVCOG, all of which shall require five (5) votes.



**ACE Construction Authority
Regular Board Meeting
April 26, 2004
Minutes**

Chairman Harry Baldwin called the meeting to order at the Irwindale Council Chambers on March 22, 2004 at 2:00 PM.

1. In attendance were:

Harry Baldwin, San Gabriel, Chair
Michael Antonovich, County of Los Angeles
Jack Phillips, Industry
Ernest Gutierrez, El Monte
Ed Vasquez, Montebello
Ed Cortez, Pomona
Bob Huff, SGVCOG, Diamond Bar
Paul Eaton, Ex Officio, SANBAG

Staff

Rick Richmond, Chief Executive Officer
Joe Montes, Legal Counsel
Sharon Neely, staff
Deanna Stanley, staff
Cynthia Ambrose, staff
Bruce Armistead, staff
Girish Roy, staff

Guests

Rose Anderson, Congressman Gary Miller
Mike Miller, West Covina
Rob Van Riel, Senator Nell Soto
Greg Jaquez, LA Co. DPW
Donna Lee, Southern California Edison
Tom Melendrez, Ontario
Kathleen Ceras, Crossroads Services Bali Construction Inc.
Jim Clouet, SCAQMD
Natalia Porche, SCAQMD

2. Approval of Regular Meeting minutes of March 22, 2004 and Special Meeting minutes of March 29, 2004.

A motion was made to approve the meeting minutes.
M/S/C: Gutierrez/Vasquez/Unanimous

3. Public Comments

There were no public comments.

4. Chairman's Remarks

Chairman Baldwin noted that the Board was scheduled for a tour of the Nogales Street grade separation construction project immediately following the meeting. He also reminded the Board of the East End/Reservoir Streets grade separation groundbreaking ceremony on April 30th at 10:30 AM, at East End Avenue in the City of Pomona. He asked members interested in attending to let staff know. Chairman Baldwin also reminded the Board of the annual legislative dinner being planned for May 12 in Sacramento. He indicated the dinner will be held in conjunction with the California League of Cities' Legislative Conference and would be co-hosted with Foothill Transit, San Gabriel Valley Council of Governments and the Gold Line Construction Authority.

5. Chief Executive Officer's Report

Rick Richmond reported that several members of the ACE team joined the City of Pomona for its annual Rebuilding Together Program on April 24th. He indicated that for the past 4 years staff has enjoyed participating in this program rotating between San Gabriel and Pomona and asked if other cities had programs to let staff know. Lastly, Mr. Richmond indicated the San Gabriel Valley Council of Governments recently released a request for bids for audit services and past practices have been for the Authority to use the same auditor. He indicated the COG was handling the bid process and anticipated a recommendation would be presented at the May Board meeting.

Bruce Armistead reviewed construction progress photos of the Nogales Street grade separation project. Jim Connolly, Bechtel-Korve Program Manager, provided a summary of the program management activities over the last month.

6. Quarterly Report on Nogales Environmental Mitigation Monitoring Plan

Rick Richmond summarized the quarterly environmental mitigation measures for the Nogales Street grade separation project. He indicated that no issues had occurred during the quarter and that monitoring will continue.

7. Approval of Revised Bid Protest Policies

Rick Richmond recommended approval of the proposed amendments to the bid protest policies. He indicated that it was appropriate to revise the policies to reflect the Court's ruling regarding the need to eliminate an outside hearing officer. Vice Chairman Gutierrez asked for clarification of the Court's ruling. Mr. Richmond recommended the Authority modify its policies to allow the hearing to go before the Board. Mr. Richmond indicated that should protest occur of a contract award of \$250,000 or less he would be the hearing officer, consistent with the existing policies and similar with that with other agencies.

M/S/C: Gutierrez/Huff/Unanimous

8. Approval of Position on State Legislation

Sharon Neely summarized key transportation legislation affecting goods movement matters. During discussion of AB 2041 (Lowenthal), Board Member Huff requested staff work with the author on the language to clarify incentives to encourage port truck travel during non peak hours as it would be more constructive than charging a fee for truck movements during peak periods. A motion was made to approve the recommended legislative positions as summarized in the staff report. The motion also included the recommendation to further clarify the Authority's position with AB 2041 (Lowenthal) as work with the author to include a member of the Board of Supervisors on the board, clarify geographic area of eligible projects, and add language on incentives should be used to encourage non peak hour port truck travel.

M/S/C: Huff/Vasquez/Unanimous

9. Quarterly Report

Rick Richmond summarized the costs, schedules and accomplishments of the past quarter. The costs included an increase due to the Union Pacific for account construction cost estimated for the Temple Ave. project. He reviewed the accomplishments that included the Nogales Street grade separation pile installations almost complete, the East End/Reservoir construction contract awarded, property acquisitions continuing for the Ramona Blvd. Grade separation and the completion of installation of the four-quad gates in Pomona. He reviewed the schedule that included a delay at East End/Reservoir due to the litigation as a result of the bid protest, Temple Ave being held because of the uncertainty of funding. He also reported that the plans, specifications and estimates for construction were approved for the Ramona Blvd. grade separation project, two months earlier than anticipated.

10. Closed Session

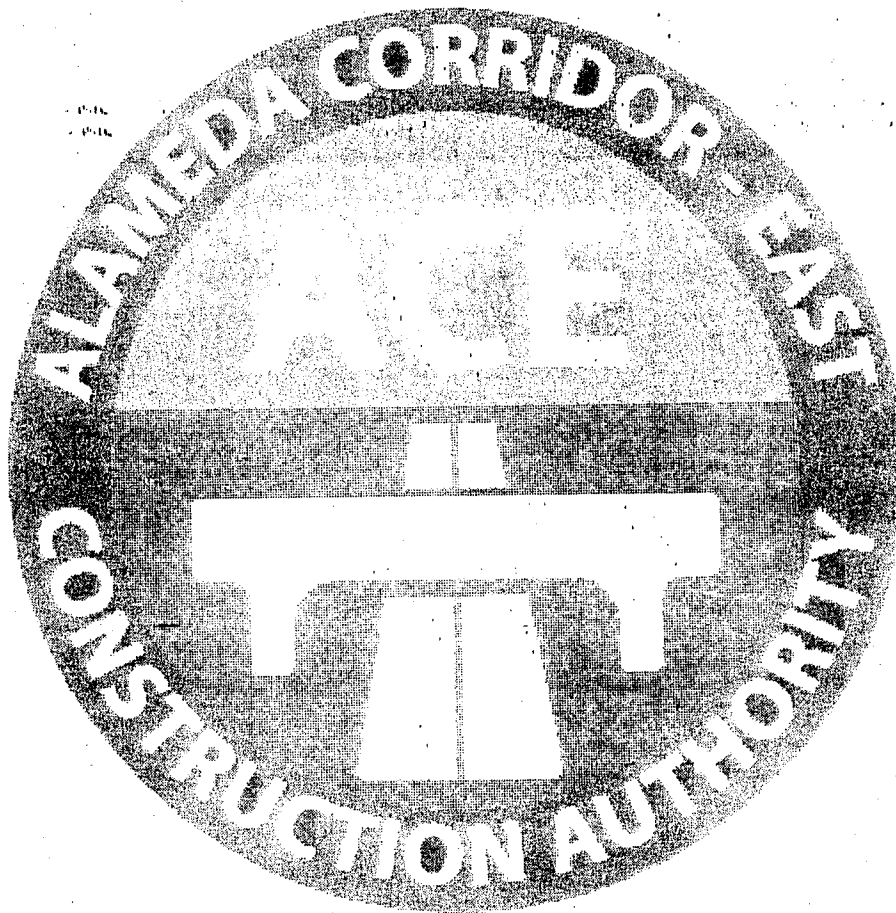
The Board adjourned to closed session for conference with legal counsel accordance with Government Code Section 54956.9 to discuss exiting litigation; and conference with real property negotiators in accordance with Government Code Section 54956.8 to discuss price and terms:

- 11104-1110 Ramona Blvd., El Monte. Negotiating Parties: ACE Construction Authority and the Fein Family Trust; and
- 11126 Ramona Blvd., El Monte. Negotiating Parties: ACE Construction Authority and the City of El Monte.

The Board returned from closed session and Legal Counsel announced that the ACE Board voted unanimously to approve a settlement of approximately 37 claims for relocation assistance, as well as a pending lawsuit, Shakhpazyan et al vs. ACE, for an all inclusive sum of \$150,000. There were no other actions taken by the Board required to report.

11. Adjournment

The meeting was adjourned at 3:05 PM.



FY 2005 Proposed Budget

Presented to the Board May 20, 2004

ALAMEDA CORRIDOR-EAST CONSTRUCTION AUTHORITY

FY 2005 PROPOSED BUDGET

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Organization

Board of Directors

Mayor Harry Baldwin
City of San Gabriel
Chairman

Mayor Ernest Gutierrez
City of El Monte
Vice Chairman

Mayor Edward Cortez
City of Pomona

Councilman Robert Huff
City of Diamond Bar

Supervisor Michael D. Antonovich
LA County Board of Supervisors

Councilman Jack Phillips
City of Industry

Councilman Edward Vasquez
City of Montebello

Mayor Paul Eaton
City of Montclair
(Ex-Officio San Bernadino
Associated Governments)

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Chief Executive Officer

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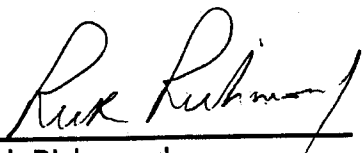
Nicolas T. Conway
Executive Director

Budget Message

As we begin the new fiscal year in July we will be making a significant transition in the Alameda Corridor-East (ACE) Project. Safety improvements at 39 crossings are finished, with the remaining crossings either in construction (3) or being held by the host jurisdiction to incorporate adjacent road widenings. Major construction at our first grade separation at Nogales Street will be about 38% complete, construction will have begun at two more grade separations - East End Avenue and Reservoir Street - and construction is not far behind at two more locations - Ramona Boulevard and Temple Avenue. Design for four more grade separations (Brea Canyon Road, Sunset Avenue, Baldwin Avenue and Nogales Street (LA Sub)) will be nearing completion.

The past fiscal year has presented major challenges to the ACE Project. In addition to the routine complications of coordinating the 8-10 local jurisdictions, utilities and the Union Pacific Railroad at every construction site, the State budget crisis is jeopardizing a significant portion of our Phase I funding. This has caused delays in previously routine funding approvals. We have done our best to anticipate and work around these problems to minimize their effect on our overall budget and schedule.

These challenges will continue into the coming fiscal year, along with new ones, most notably a significant increase in construction activity and the upcoming renewal of federal transportation authorization, which is a major element of our planned Phase II funding. The ACE Project management team will continue to do what it takes to make the ACE Project a reality.



Rick Richmond

Chief Executive Officer

Project Background and Status

BACKGROUND

Trade activity through the Ports of Long Beach and Los Angeles, by all accounts, will continue to grow in the future. The completed Alameda Corridor provides the infrastructure necessary for rail to absorb a major share of that growth. Projected increases in the number of trains operating on the Union Pacific Railroad lines in the San Gabriel Valley range to as high as 160% over the next two decades. Not only will the number of trains increase, but also the maximum train length is expected to increase about 50%, up to 8,000 feet.

The San Gabriel Valley Council of Governments recognized that this posed a threat to the San Gabriel Valley in terms of safety, congestion and economic vitality. A feasibility study was done in late 1990's and the San Gabriel Valley Council of Governments created the Alameda Corridor-East Construction Authority in September 1998 to implement a project to mitigate the effects of increased train traffic along a 35-mile freight rail corridor through the San Gabriel Valley from East Los Angeles to Pomona.

The \$910 million ACE Project includes safety improvement projects at 42 grade crossings located throughout the San Gabriel Valley, use of modern traffic control technology to minimize congestion at grade crossings, and 20 grade separations. The project is in two phases. Phase I (1999-2004) includes near-term, low cost mobility improvements that encompass safety upgrades, traffic signal control measures, roadway widenings and 10 grade separations. The second phase (2004-007) includes ten additional grade separations.

PROJECT STATUS

Current project implementation activities are focused on Phase I. The following is a summary of the status of each of the Phase I project components:

Jump Start Safety (42 crossings)

- Construction completed at 39 crossings
- Construction ready to begin at final three crossings in Industry once City secures road widening right-of-way and Union Pacific Railroad approvals.

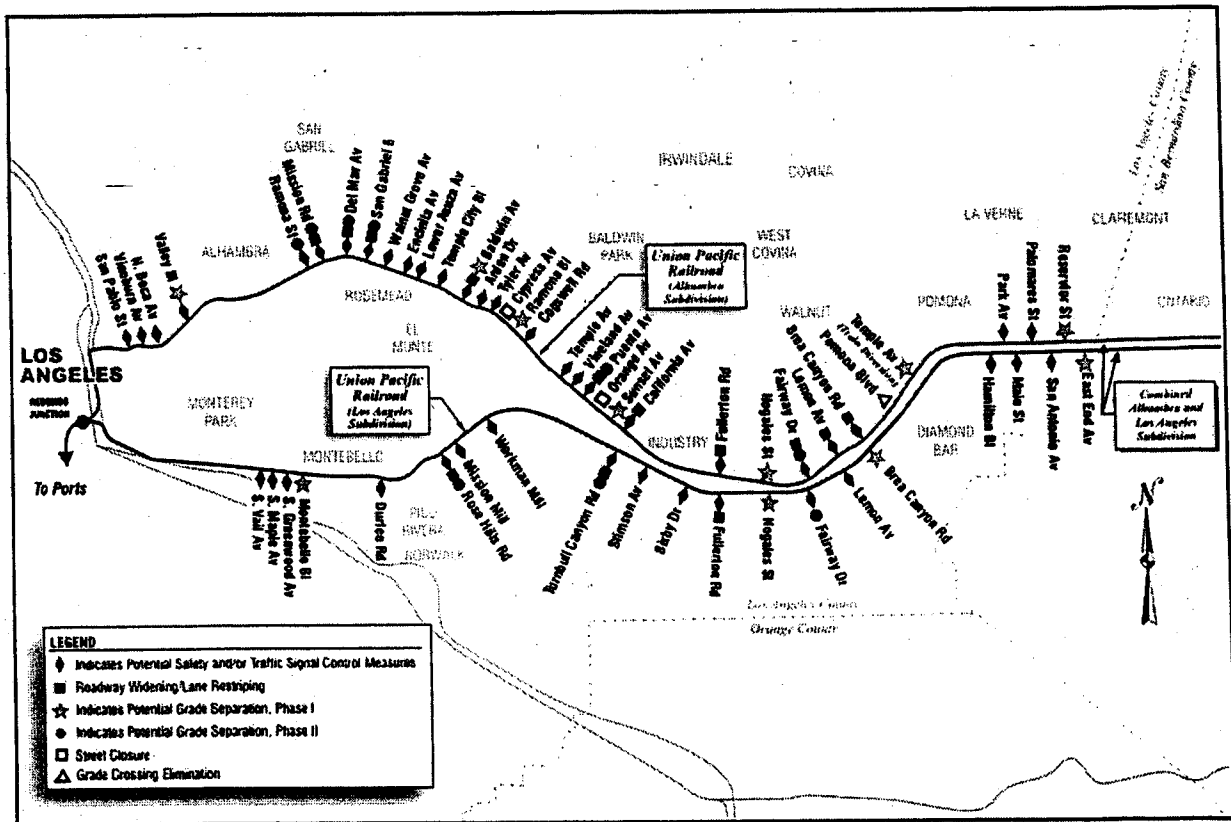
Intelligent Roadway/Rail Signal System (demo installation at five crossings)

- Pilot systems for train detection and communications successfully tested
- Full system installation in place by June 30 to start 3-6 month testing.

Grade Separations (10 crossings – 8 managed by ACE)

- Design complete at five separations; between 65% and 100% complete at three locations
 - Environmental clearance received for all eight separations
- Property acquisitions keeping pace with project schedules
- Three grade separations under construction; one location (Ramona Blvd.) out to bid.

PROJECT MAP



FUNDING STATUS

The current estimated cost for Phase I is approximately \$410 million (excluding engineering of the San Gabriel trench project). The following funding has been committed for Phase I:

Federal TEA-21 Demonstration Earmark	\$135.5 million
Federal Trade Corridor Grants and Appropriations	13.6
State Highway Funds (ITIP)	38.7
State General Funds (TCRF)	61.6
MTA "Call for Projects"	67.3
UPRR Contribution	<u>12.0</u>
	\$328.7 million

The shortfall, approximately \$81.3 million, is almost entirely due to the loss of previously committed State funding as a result of the overall State budget deficit. The Board has endorsed a project implementation strategy for deferring land acquisition and construction of three grade separations should the State funding in jeopardy (estimated at \$68 million or more) is lost and not replaced.

In addition to fully funding Phase I, staff is focusing on strategies for Phase II funding (approximately \$483 million) so that the overall program moves ahead without a loss of momentum.

FY 2004 BUDGET STATUS

The Board of Directors adopted the Fiscal Year (FY) 2004 Budget in May 2003.

Project expenditures to date have lagged the budget due to individual projects taking longer than anticipated to get into construction, primarily caused by contract award litigation and State funding uncertainty.

Indirect expenses (salaries, rent, office supplies, etc.) are billed to grants based on an annual cost allocation plan approved by Caltrans. The rate approved for FY 2004 is 12.5%. Any under/overrun of indirect expense for FY 2004 will be included in the calculations for FY 2006.

It is ACE policy not to start work on any project without grant commitments in hand. Revenues are generated by grant reimbursements from Caltrans (for state funding and as an agent for the federal government) and the Los Angeles County Metropolitan Transportation Authority. All grants are cost reimbursable, that is, ACE may only request reimbursement for expenditures actually made. Revenues therefore track extremely closely to expenditures.

ACE does not have any independent revenue sources to finance expenditures while waiting reimbursement. To address this cash flow problem, ACE issued short-term, variable rate, Grant Anticipation Notes in March 2001. Funds not in use are deposited with the State of California's Local Agency Investment Fund (LAIF). Anticipated interest earnings are expected to offset interest expense.

The attached table (Exhibit I) compares the FY 2004 Budget to the estimated actual expenses as of June 30, 2004. There are relatively few overruns and comments are provided to explain any significant overruns. The most significant projected underruns are for utility relocation and construction due to the following:

- Utility Relocation – Spending at four of the five work locations has been below our estimates, most notably at East End/Reservoir where Kinder-Morgan relocation bids came in well below estimates; work at two locations (Ramona and Temple) was delayed due to environmental and funding uncertainty, respectively.
- Construction – Varying amounts of construction at five grade separations was budgeted for FY 2003. All were delayed for reasons discussed above; only one of them (Nogales) will incur significant construction expenses by June 30.

Exhibit I
FY 2004 Budget vs. Est. Actual
(\\$ in Thousands)

Expenditures	Yr End Estimate	FY 2004 Budget	Under/ (Over)	Comments
Indirect				
Personnel				
Salaries and Wages	\$ 742	\$ 772	\$ 30	
Fringe Benefits	280	453	173	
Board/Employee Expenses				
Travel	35	36	1	
Training/Memberships	8	10	2	
Board Related Expenses	18	21	3	
Professional Services				
Auditing/Accounting	22	23	1	
DBE/Labor Compliance	163	196	33	
Environmental	-	-	-	
Legal - Agency Support	73	120	47	
Program Mgt	2,204	2,200	(4)	
State/Federal Advisory Services	210	236	26	
Risk Management	55	80	25	
UPRR Invoice Review	93	78	(15)	Intensive effort to closeout UPRR force account on safety improvements
Other	-	5	5	
Insurance	389	397	8	
Equipment Expense	83	88	5	
Office Expense				
Rent	190	191	1	
Maintenance/Other	-	2	2	
Office Operations				
Office Supplies	73	68	(5)	
Postage/Courier	7	10	3	
Printing/Copying	7	24	17	
Telephones	17	20	3	
Advertising	2	8	6	
Other	6	6	-	
Total Indirect	<u>4,677</u>	<u>5,044</u>	<u>367</u>	
Direct				
Salaries	207	221	14	
Program Management	4,104	5,776	1,672	Legal expenses on a relatively few acquisitions were significantly higher than anticipated; litigation on EE/Res award
Legal	711	440	(271)	
Labor Compliance	98	144	46	
Design	6,267	6,309	42	
ROW Acquisition	5,894	3,925	(1,969)	Some acquisitions expected in FY 03 slipped to FY 04
Utility Relocation	5,477	9,275	3,798	
Construction Mgt	2,057	2,368	311	
Railroad	3,835	4,123	288	
Construction	8,856	11,026	2,170	
Total Direct	<u>37,506</u>	<u>43,607</u>	<u>6,101</u>	
Total ACE	<u>\$ 42,183</u>	<u>\$ 48,651</u>	<u>\$ 6,468</u>	

MEETING FY 2004 GOALS

Last fiscal year's budget document proposed a series of goals for FY 2004. The following is an accounting for the progress made on each of them by June 30.

PROJECT IMPLEMENTATION	FY 2004 PROGRESS
Have five remaining crossing safety improvements completed by March '04 (excludes three crossings on hold by City of Industry.	✓ Finished by December '03
Have IRRIS system fully deployed and ready for testing.	✓ Expect to have system deployed by June 30.
Grade Separations at Nogales St., East End Ave./Reservoir St., Temple Ave., and Ramona Blvd. in construction.	✓ Nogales and East End/Reservoir in construction; Ramona Blvd. will be out to bid (delayed by UPRR bridge redesign); Temple Ave. ready to bid (held due to State funding uncertainty).
Complete grade separation designs at Brea Canyon Rd., Baldwin Ave., Sunset Ave. (if UPRR issued resolved); Nogales St. (LA sub) near complete.	✓ Brea Canyon Rd. and Baldwin Ave. designs will be complete by August; Sunset Ave. design expected by November (design changes being incorporated to meet UPRR standards & save construction cost); Nogales (LA Sub) expected by Nov. (delayed by County/City of Industry design changes and UPRR/County reviews).

Complete environmental clearance process for San Gabriel Trench project

✓ Not accomplished; 3rd revision ISEA forwarded to Caltrans on April 18.

**FUNDING/FINANCIAL
ADMINISTRATION**

FY 2004 PROGRESS

Secure existing or replacement funding needed for Phase I

✓ Partially accomplished; previously allocated TCRF funds still available; replacement funding for unallocated TCRF funds not secured.

Secure Phase II funding from any available Federal or State transportation funding initiatives.

✓ Federal reauthorization legislation pending.

Maintain sound financial and accounting systems and MTA/Caltrans audit compliance.

✓ Financial audits continue to be 'clean' for the year, MTA has audited 28 contracts and questioned less than ½% of the total value.

Manage reimbursements and working capital financing to maintain project progress and minimize cost to the Authority.

✓ Billing goes out within three days of paying invoices and Caltrans reimbursement turnaround has averaged 23 days (exc. TCRF).

OUTREACH

FY 2004 PROGRESS

Support remaining safety construction projects.

✓ Distributed construction alert notices to schools, businesses & residents; made safety presentations to schools.

Conduct four community design reviews for grade separations (if construction funding is assured).

✓ One meeting held in El Monte. (Three pending release of State construction funds)

Support environmental review of San Gabriel Trench project.

✓ External environmental review process not begun (pending Caltrans/FHWA release of document).

Disseminate public information; produce ACE Project video.

✓ Video completed and distributed to cities, businesses, schools and public officials.

Increase ACE awareness with business community and assist businesses affected by construction activities.

✓ Participated as exhibitor at 6 business conferences in the region. Placed 'Open During Construction' ads & signage for businesses affected by construction.

Adopt 2004 DBE goals and promote DBE participation in our program.

✓ Accomplished 35% DBE participation on projects to date (18% goal for FY 2004).

Effectively monitor labor compliance.

✓ Monthly monitoring and enforcement conducted; 95% compliance among the records checked.

Maintain website.

✓ Completed and updated quarterly.

ACE CONSTRUCTION AUTHORITY FY 2005 GOALS

Staff proposes the following goals for the upcoming fiscal year:

PROJECT IMPLEMENTATION

- Grade separations at Nogales St., East End Ave./Reservoir St., Ramona Blvd., and Temple Ave. (if funding is adequate) in construction
- Complete designs for grade separations at Brea Canyon Rd., Baldwin Ave., Sunset Ave. and Nogales St. (LA sub)
- Have IRRIS system fully tested and in operation by City of Pomona
- Complete environmental clearance process for San Gabriel trench
- Mobilize immediately for additional grade separation land acquisition and construction if funding becomes available.

FUNDING/FINANCIAL/ADMINISTRATION

- Secure replacement funding needed for Phase I
- Secure federal earmarks from federal funding initiatives
- Maintain sound financial and accounting systems and state/federal/local audit compliance
- Minimize the amount and duration of unreimbursed project expenditures
- Maximize, within agency guidelines, the return on invested funds.

OUTREACH

- Conduct community outreach meeting(s) to insure community input on the San Gabriel trench environmental assessment

- Conduct at least one groundbreaking ceremony to publicize construction commencement
- Ensure DBE commitment goals are met
- Ensure early detection of labor compliance deficiencies and timely remedy of violations
- Maintain website, project video updates, brochure updates, press releases and helpline to disseminate public information on the project
- Conduct three community design reviews for grade separation project in design if construction funding is assured.

FY 2005 ACE CONSTRUCTION AUTHORITY BUDGET

The goal of the ACE management team is to deliver a project that accomplishes its intended purposes as expeditiously as possible and within budget. As an integral part of that goal, we have developed and implemented budgeting, accounting, and project control systems that meet generally accepted accounting standards as well as those of federal, state and local funding authorities.

BUDGET DEVELOPMENT

The FY 2005 budget is for the period July 1, 2004 through June 30, 2005.

The budget was developed from our most current estimate of the pace of project commitments over the next fiscal year. It reflects anticipated expenditures (accrual basis) during FY 2005. New contract authorizations that are assumed in the budget that require Board authorization will be brought to the Board for individual consideration. The project activities expected during FY 2005 are:

- ✓ The final three grade crossing safety projects on hold by the City of Industry will be completed
- ✓ IRRIS system integration and testing in the City of Pomona will be complete and the system turned over to the City
- ✓ Construction will be ongoing on the Nogales, East End, Reservoir, Ramona, and Temple projects
- ✓ Design will be complete on the Sunset, Brea Canyon, Baldwin and Nogales (LA sub) grade separations.

The construction-related expenses (design, land acquisition, construction management and construction) account for the bulk of the FY 2005 budget, however, there are also project management and support expenses. These "indirect" expenses, expected to amount to about 8% of our FY 2005 expenses, were developed based on past experience adjusted for any increased activity levels or inflation. Almost all of these costs are reimbursed from grants according to an Indirect Cost Plan which has to be approved annually by Caltrans and is based on our approved budget.

It is important to note that this budget does not provide for the level of project management effort necessary to move the last three grade separations into construction, since as of this time we do not have construction funding. In the event additional funding becomes available we will recommend increased expenditures, primarily for land acquisition and utility relocation.

It is also important to note that only a limited activity to identify Phase II IRRIS initiatives is contemplated in this budget. Once the current demonstration in Pomona is successfully completed and a priority list of Phase II applications are identified it may be advisable to augment the FY '05 budget to expeditiously develop those projects.

FY 2005 BUDGET

The FY 2005 Budget is presented in Exhibit II.

Exhibit III compares the estimated actuals for FY 2004 to the Budget for FY 2005.

The following addresses significant line item increases (more than \$5,000 and more than a 10% increase) proposed for FY 2005 compared to the FY 2004 actuals for all "indirect" expenses. The basis for changes in the construction related line items was explained above.

Staff Salaries and Benefits – The '05 budget provides for one additional staff position to absorb project management workload created by reductions in program management consultant staffing. This item also provides for a 6% merit salary adjustment pool to be administered per our adopted salary guidelines. The increased benefit expenses are for health insurance cost increases we are now experiencing and anticipate will continue.

DBE/Labor Compliance – FY '04 actuals will significantly underrun the budget due to construction delays; the FY '05 budget reflects the support needed for the increased construction activity expected in '05.

State/Federal Advisory Services – State services were significantly under budget in FY '04; we expect to use the State advisory services to return to previously experienced levels in '05.

Risk Management – In FY '04 we budgeted for insurance consulting and claims administration but did not have the need for claims support. With increased construction activity we believe it would be prudent to provide budget for claims services.

ACE Construction Authority
FY 2005 Proposed Budget

Exhibit II

FY 2005 Proposed Budget with Type of Expenditure

(\$ in Thousands)

Expenditures	FY 2005 Proposed
Indirect	
Personnel	
Salaries and Wages	\$ 822
Fringe Benefits	346
Board/Employee Expenses	
Travel	40
Training/Memberships	8
Board Related Expenses	20
Professional Services	
Auditing/Accounting	25
DBE/Labor Compliance	219
Legal - Agency Support	72
Program Mgt	1,460
State/Federal Advisory Services	239
Risk Management	80
UPRR Invoice Review	72
Other	10
Insurance	410
Equipment Expense	48
Office Expense	
Rent	195
Maintenance/Other	2
Office Operations	
Office Supplies	70
Postage/Courier	8
Printing/Copying	8
Telephones	18
Advertising	3
Other	6
Total Indirect	<u>4,181</u>
Direct	
Salaries	319
Program Management	3,696
Legal	296
Labor Compliance	109
Design	2,674
ROW Acquisition	3,243
Utility Relocation	6,712
Construction Mgt	3,777
Railroad	4,450
Construction	25,819
Total Direct	<u>51,095</u>
Total ACE	<u>\$ 55,276</u>

Exhibit III

Comparison - FY 2004 Estimated Actuals vs. FY 2005 Proposed

(\$ in Thousands)

Expenditures	FY 2004 Estimated	FY 2005 Proposed	Incr/ Decr	(Decr)	%
Indirect					
Personnel					
Salaries and Wages	\$ 742	\$ 822	\$ 80		11%
Fringe Benefits	280	346	66		23%
Board/Employee Expenses					
Travel	35	40	5		15%
Training/Memberships	8	8	-		0%
Board Related Expenses	18	20	2		11%
Professional Services					
Auditing/Accounting	22	25	3		14%
DBE/Labor Compliance	163	219	56		34%
Environmental	-	-	-		n/a
Legal - Agency Support	73	72	(1)		-1%
Program Mgt	2,204	1,460	(744)		-34%
State/Federal Advisory Services	210	239	29		14%
Risk Management	55	80	25		45%
UPRR Invoice Review	93	72	(21)		-23%
Other	-	10	10		n/a
Insurance	389	410	21		5%
Equipment Expense	83	48	(35)		-42%
Office Expense					
Rent	190	195	5		3%
Maintenance/Other	-	2	2		n/a
Office Operations					
Office Supplies	73	70	(3)		-4%
Postage/Courier	7	8	1		14%
Printing/Copying	7	8	1		14%
Telephones	17	18	1		6%
Advertising	2	3	1		50%
Other	6	6	-		0%
Total Indirect	4,677	4,181	(496)		-11%
Direct					
Salaries	207	319	112		54%
Program Management	4,104	3,696	(408)		-10%
Legal	711	296	(415)		-58%
Labor Compliance	98	109	11		11%
Design	6,267	2,674	(3,593)		-57%
ROW Acquisition	5,894	3,243	(2,651)		-45%
Utility Relocation	5,477	6,712	1,235		23%
Construction Mgt	2,057	3,777	1,720		84%
Railroad	3,835	4,450	615		16%
Construction	8,856	25,819	16,963		192%
Total Direct	37,506	51,095	13,589		36%
Total ACE	\$ 42,183	\$ 55,276	\$ 13,093		31%

PROJECT FINANCING

The San Gabriel Valley Council of Governments (SGVCOG) authorized the issuance of up to \$100 million in tax-exempt Grant Anticipated Notes (GANs) depending on cash flow requirements. After issuing \$30 million 2001, SGVCOG issued a total of \$72.6 million in FY 2002. \$24.5 million was retired (per IRS requirements for tax-exempt debt) in February 2003, leaving \$55.5 million outstanding. It is expected that ACE will again retire and reissue debt in FY 2005. ACE continues to anticipate that the cost of the notes will be self-funding over the life of the project through the temporary investment of proceeds in the State of California Local Agency Investment Fund (LAIF).

Because the ACE Construction Authority continues to have no other sources of revenue other than grants and contributions from funding agencies ACE staff will make every effort to ensure that all expenditures are reimbursable by federal, state or local grants.

Staff is making every effort it can to operate in this stringent financial environment, but the Board needs to be aware of the practical difficulties of recovering every expense and will be advised periodically of cumulative exposure for unreimbursed costs the Authority is incurring. As of this date, we are aware of the cumulative unreimbursed or unreimbursable expenses, dating back to the beginning of the ACE Construction Authority:

FY1998:	\$71,185	Expenses incurred by SGVCOG prior to 6/30/98 not Reimbursed by MTA
FY2000:	12,558	Net interest cost of loan from City of Industry
	1,000	Miscellaneous expenses incurred in FY2000
FY2001:	2,738	Net interest cost of loan from City of Industry
	1,000	Miscellaneous expenses incurred in FY2001
FY2003:	10,300	Nogales grade separation groundbreaking expenses
FY2004	1,956	Miscellaneous expenses incurred in FY '04
	5,000	East End/Reservoir groundbreaking expenses
	\$105,737	Estimated Total – Project life to date

BUDGET AMENDMENTS AND REVISIONS

Staff will continue to provide the Board with project status and budget updates on a quarterly basis. Amid-year review of the upcoming fiscal year will be done in January and proposed revisions, if any, will be submitted for Board approval at that time.

BOARD REVIEW AND APPROVAL

The proposed budget is presented to the Board and to the public for consideration at the May Board meeting. Any changes will be incorporated into the proposed budget and submitted to the San Gabriel Valley Council of Governments for consideration at their June meeting.

Item	Definition
<u>Personnel</u>	
Salaries and Wages	Salaries for employees and temporary help.
Fringe Benefits	Paid benefits such as health insurance, life insurance and pension.
<u>Board/Employee Expenses</u>	
Travel	Employee travel for business purposes. Includes registration fees and local mileage reimbursement or auto allowance.
Training/Memberships	Authority and professional memberships; ongoing professional training.
Board Related Expenses	Per diem and Board travel.
<u>Professional Services</u>	
Auditing/Accounting	Financial auditors and accounting services.
DBE/Labor Compliance	Disadvantaged Business Enterprise and labor compliance monitoring.
Legal-Agency Support	General counsel, construction legal or any other legal services not directly chargeable to specific construction projects.
Program Management	Contracted project administration support.
State/Federal Advisory Services	State legislation research, advisory and funding application services.
Risk Management	Administrative fee for assisting in analyzing insurance requirements, reviewing ACE and contractor policies; obtaining insurance and claims administration.
UPRR Invoice Review	Union Pacific Railroad invoice review services.
Other	Miscellaneous minor professional services.
Insurance	Insurance premiums and out-of-pocket losses.

Equipment Expense

Purchase/lease and maintenance of office equipment.

Office Expense

Rent Rent on ACE office space.

Maintenance/Other Maintenance and miscellaneous expense associated with office space.

Office Operations

Office Supplies Paper, files, miscellaneous office supplies.

Postage/Courier Postage and courier services such as Federal Express.

Printing/Copying Printing and copying expenses.

Telephones Both cell and office phone.

Advertising Advertising for bids, DBE.

Other Subscriptions, payroll service fees, etc.

Non-Construction Subtotal All of the above; commonly called either indirect or overhead costs.

Construction

Design Preparation of plans, specifications and estimates.

ROW Acquisition Identification, appraisal and acquisition of project right-of-way.

Utility Relocation Costs of utility relocation (including design) where chargeable to the project.

Construction Management Oversight of construction work.

Construction Project construction contracts/railroad agreements.

Construction Subtotal

All project expenses; commonly called direct.